



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 19, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community Bank, National Association
Charter Number 15850

6808 Airport Boulevard
Mobile, AL 36608-0000

Office of the Comptroller of the Currency

BIRMINGHAM FIELD OFFICE
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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING:
This institution is rated Satisfactory.**

Major factors supporting the assigned rating are as follows:

- CBNA's loan-to-deposit ratio is good in light of the bank's size, competition and market loan demand.
- A substantial majority of the bank's loans are extended to borrowers within its assessment areas.
- Overall, the bank's performance is satisfactory. The distribution of loans made to different borrower income levels is satisfactory. Lending to businesses of different sizes is excellent.

SCOPE OF EXAMINATION

Our analysis of CBNA's Community Reinvestment Act (CRA) performance is based primarily on the percentage of the number and dollar amount of loans originated during the evaluation period and their distribution. We determined the bank's primary loan products to be home mortgages and commercial real estate. We based our analysis on Home Mortgage Disclosure Act (HMDA) reported data and a sample of business loans originated or purchased from January 1, 2006 through December 31, 2009.

DESCRIPTION OF INSTITUTION

Community Bank, NA (CBNA) is a \$66 million bank headquartered in Mobile, AL. CBNA conducts its business from two offices, one located in Mobile and a branch in nearby Daphne, AL. The Daphne office was opened in 2008 and with the exception of CBNA's headquarters, is the only office of the bank opened since the 2004 Public Evaluation of the former banking institution, First National Bank (FNB) of Lucedale, MS. Both offices are full service facilities with traditional operating hours. CBNA offers its customers several alternative delivery channels including Automated Teller Machines (ATMs), drive-up facilities, Internet Banking and Merchant Capture of deposit products.

The bank's charter dates back to 1971 with the creation of FNB of Lucedale, now defunct, which primarily served the agrarian George and Greene County areas of Mississippi. The bank operated under this name until it was purchased by Community Bancshares of Mississippi in 2003. The holding company changed the name to Community Bank, NA, in 2006 to reflect its corporate ownership as each of the separately chartered banks operated by Community Bancshares all shared the name Community Bank and signage.

In 2007, management decided to relocate the bank's charter to nearby Mobile, AL to take advantage of the growing Mobile economy. As a condition of the relocation, the Alabama State Banking Department required that CBNA divest itself of all non-Alabama assets and liabilities. The bank began operating in its current business model in December 2007. As a result of the

divestiture, the bank's size was significantly smaller than in previous years, and is considered a de novo institution.

CBNA's primary business focus is commercial real estate. However, 1-to-4 family secured RE loans are also prominent products in its loan portfolio. Retail and other commercial loans are minor components of the bank's loan portfolio.

The bank's loan mix as of December 31, 2009, is as follows:

Loan Type	Dollar Amount \$(000)	% Of Total Loans
1-4 Family Residential	14,946	31.03
1-4 Family Residential Construction	2,378	4.94
Revolving 1-4 Family Loans	2,287	4.75
1-4 Family Jr. Lien Loans	459	0.95
Other Nonfarm, Non-Residential Loans	8,184	16.99
Owner Occupied Nonfarm Non-Residential Loans	6,375	13.23
Non-Residential. Construction & Development Loans	5,441	11.30
Farmland	6,057	12.57
Multi-family RE Loans	926	1.92
Consumer Loans	787	1.63
Commercial & Industrial Loans	322	0.67
Other Loans	7	0.01
Total	\$48,169	100

Source: Uniform Bank Performance Report – 12/31/2009.

CBNA's CRA performance has not been assessed since the current bank was formed in December 2007. However, the regulatory CRA cycle is based on the date of the former FNB of Lucedale's last CRA Public Evaluation, dated January 18, 2005. FNB Lucedale's CRA performance was "Satisfactory" at this review. As of this examination date, there were no legal or regulatory impediments that would impact the bank's lending activities.

Competition is significant as banks from other areas have opened offices in the Mobile and Baldwin County areas to take advantage of forecasted economic growth. In Mobile, 19 other banks operate in the county. In Baldwin County, competition is provided by 18 other banks. No similarly situated institutions to CBNA have been identified in its Assessment Areas (AAs).

Due primarily to its size and relatively recent entry into the markets, CBNA is not a market leader in Mobile or Baldwin County. The most recent Federal Deposit Insurance Corporation (FDIC) Deposit Market Share data of June 30, 2009, reflected that CBNA ranked 15th out of 20 banks in the Mobile MSA and 17th out of 19 banks operating in the Baldwin County AA. In both

areas, CBNA has less than 1 percent of the market’s deposits.

Conclusions for this Performance Evaluation are based on a random sample of commercial and residential RE loans originated between December 8, 2007 and December 31, 2009. The sample consisted of 30 commercial purpose loans and all 1-to-4 mortgage-related loans as reported on the HMDA Loan Application Register in 2008 and 2009. A community leader was also consulted to obtain feedback on the area’s demographics, perceived credit needs, and financial institution responsiveness regarding the CRA within the bank’s AA.

DESCRIPTION OF ASSESSMENT AREA(S)

CBNA has designated Mobile County and Baldwin County, AL as its two AAs. Mobile County includes the City of Mobile which is a Metropolitan Statistical Area (MSA). While the AAs are contiguous, being separated only by the Mobile Bay, Baldwin County is not part of the Mobile MSA.

In late 2008, CBNA opened a branch in Daphne, AL, effectively expanding its AA to include Baldwin County. However, because of the recent entry into Baldwin County, combined with the level of competition faced by CBNA in this county, the volume of loans made in this area is not significant. Therefore, the majority of the analyses used in this evaluation will be performed using loan performance in the Mobile MSA.

Mobile County, Alabama

CBNA has designated Mobile County MSA as one of its Assessment Areas. As of July 2009, Mobile is the 116th largest MSA in the United States, as defined by the U. S. Office of Management and Budget. Mobile is also Alabama’s second most populous city and is the seat of government of Mobile County. The bank’s AA meets all legal requirements as specified by the CRA.

The Housing & Urban Development (HUD) updated 2000 MSA median family income for Mobile, AL, was \$49,500. Income classification categories based on the median family income are listed in Table 1.

Table 1 – Income Categories			
Low	Moderate	Middle	Upper
< \$24,749	\$24,750 – 39,599	\$39,600 - \$58,904	> \$58,904

Source: U.S. Census data.

The Mobile AA consists of 137 census tracts with a total population of 399,843. Approximately 18 percent of households in this AA live at or below the poverty level. Total housing units within the assessment area equaled 180,708 and of these, 57.22 percent are owner occupied. Approximately 33 percent of residents in low-income census tracts own their own homes while 53 percent of moderate-income tract residents own their homes. The AA’s median housing value is \$82,688. Table 2 below shows the demographic makeup of the AA by census tract and family income.

Table 2 – Assessment Area Demographics				
Income Level	# of CTs	% of CTs	# of Families	% of Families
Low	17	14.91	9,101	8.48
Moderate	20	17.54	14,378	13.40
Middle	51	44.74	52,919	49.30
Upper	26	22.81	30,940	28.82
Total	137	100	88,529	100

Source: U.S. Census data.

The economy of the Mobile MSA is heavily weighted towards service industries as the majority of employment includes government, education and medicine. However, manufacturing, aerospace and port industries also provide significant employment. Major employers in the Mobile MSA include the Mobile County Public School System (8,075), Infirmiry Health Systems (5,600), University of South Alabama (USA) and USA Health Systems (5,000), and ST Mobile Aerospace Engineering (1,300). Unemployment in Mobile County is higher than both the state and national averages. As of March 31, 2010, the unemployment rate for Mobile County was 11.7 percent compared to the Alabama average of 11 percent and the national rate of 9.7 percent.

We conducted an interview with a local nonprofit organization. Information received from this interview indicated that the area’s most pressing credit need was for micro credit (small loans) for small business owners.

Baldwin County, Alabama

Baldwin County Alabama comprises CBNA’s second AA. While the county is adjacent to Mobile County, being separated by the Mobile Bay, it is not part of the Mobile MSA. In terms of area, Baldwin County is the largest county in Alabama, stretching more than 100 miles from its most northern section to the Gulf of Mexico. CBNA has designated the entire county as it’s AA and does not arbitrarily exclude any low- or moderate-income areas. The HUD-updated 2000 Non-MSA median family income for the State of Alabama was \$46,800. Income classification categories are listed in Table 3.

Table 3 – Income Categories			
Low	Moderate	Middle	Upper
<\$23,399	\$23,400 – 37,439	\$37,440 - \$55,691	>\$55,691

Source: U.S. Census data.

The Baldwin County AA consists of 23 census tracts with a total population of 140,414. This AA has no low-income census tracts and one moderate-income census tract. Approximately 10 percent of households in this AA live at or below the poverty level. Total housing units within the assessment area equaled 88,100 and of these, 50 percent are owner occupied. Approximately 62 percent of residents in moderate-income census tracts own their own home. The AA's median housing value is \$119,472. Major employers in Baldwin County include the Baldwin County Board of Education (3,123), Wal-Mart Supercenters (1,600) and Standard Furniture (600).

With the establishment of the Daphne office in late 2008, CBNA has a presence in Baldwin County. However, due to the brevity of time in the market and lack of market share, less than 1 percent of deposits as of June 2009, our analysis will focus on lending in the Mobile MSA. Lending data from Baldwin County will only be used to assess lending within the bank's designated AAs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

- CBNA's loan-to-deposit ratio is good in light of the bank's size, competition and market loan demand.

The 10 quarters since the bank's inception at year-end 2007 resulted in an average loan-to-deposit (LTD) ratio of 82.10 percent. Actual LTD ratios for the period ranged from a high of 182.32 percent at year-end December 2007 to a low of 39.62 percent at quarter-end March 2008. The LTD ratio at year-end 2007 was artificially high as this was the first month of the bank's operation.

CBNA's average LTD ratio is higher than its national peer at 69.72 percent, as well as that of Alabama-domiciled banks with assets of \$250 thousand or less at 71.48 percent. The LTD ratio is maintained as CBNA's primary loan product is commercial RE which tends to have larger balances than other loan products. The bank's LTD ratio is satisfactory in light of the fact that CBNA is one of the smallest banks operating in the Mobile MSA and competes with much larger institutions who offer greater name recognition and a wider variety of products.

Lending in Assessment Area

- A substantial majority of the bank's loans are extended to borrowers within its assessment areas.

Table 4 denotes the distribution of a sample of major loan products originated between December 8, 2007 and December 31, 2009. As reflected by the table, a substantial majority of bank loans are made within the combined Mobile MSA and Baldwin County AA.

Table 4 – Lending in Combined Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total (\$000s)
	#	%	#	%		\$000s	%	\$000s	%	
Commercial	27	90	3	10	30	10,926	85	1,997	15	12,923
Residential RE	118	89	14	11	132	26,433	90	2,880	10	29,313
Totals	145		17		162	37,359		4,877		42,236

Source: OCC Loan Sample.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

- Overall, the bank’s performance is satisfactory. The distribution of loans made to different borrower income levels is satisfactory. Lending to businesses of different sizes is excellent.

As reflected in Table 5, lending to borrowers of different income levels for 1-to-4 family residential RE loans is low. The level of loans compared to such income groups does not approximate the composition percentage of the related families in the Mobile MSA. However, the poverty level in this MSA is very significant at 18 percent of the total population. This limits the bank’s opportunities to make loans to low- and moderate-income borrowers. When this high poverty level is considered, the bank’s performance is considered adequate.

Table 5 - Borrower Distribution of Residential Real Estate Loans in Mobile MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE	23.72	0.00	15.73	3.13	19.92	9.36	40.63	65.63

Source: OCC Residential Loan Sample, U.S. Census Data.

Lending to Businesses of Different Sizes

Lending to business of different sizes within the Mobile AA is excellent. Distribution of loans by number to businesses with income above or below \$1 million exceeded their percentage of businesses by income in the area, with dollar amount of loans also exceeding the composition percentage within the AA. Eleven of the 30 loans sampled indicated no income as the entity was listed as a startup. Current CRA guidance allows the inclusion of these loans in the less than or equal to \$1 million category for the first year.

Table 5A - Borrower Distribution of Loans to Businesses in Mobile MSA				
Business Revenues (or Sales)	≤ \$1 million	> \$1 million	Unavailable/Unknown	Total
% of AA Businesses	74.90	4.88	20.23	100%
% of Bank Loans in AA by #	70.00	30.00	0	100%
% of Bank Loans in AA by \$	77.00	23.00	0	100%

Source: OCC Commercial Loan Sample, U.S. Census Data.

Geographic Distribution of Loans

- The geographic distribution of loans in CNB’s assessment area is satisfactory. The performance for residential real estate loans is adequate. The performance for business lending is poor.

As reflected in the table below, geographic distribution among geographies for residential RE is lower than the percentage of owner occupied housing within the low- and moderate-income geographies. Opportunities to lend to low- and moderate-income borrowers for residential RE purposes are limited. Approximately 17 percent of the housing units in low- and moderate-income census tracts in the Mobile AA are owner occupied, with a larger portion of residents being renters.

Table 6 - Geographic Distribution of Residential Real Estate Loans in Mobile MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
1 – 4 Family RE	4.91	3.13	11.89	6.25	51.55	46.88	31.65	43.75

Source: OCC RE Loan Sample, U.S. Census Data.

The geographic distribution of business loans is poor. The percentage of the bank’s lending in low- and moderate-income geographies is well below the percentage of businesses located in those geographies.

Table 6A - Geographic Distribution of Loans to Businesses in Mobile MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	7.63	3.70	10.43	3.70	50.81	37.04	31.13	55.56

Source: OCC Commercial Loan Sample, U.S. Census Data.

Responses to Complaints

CBNA has not received any CRA related complaints since the previous CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.